

# Insurance Inquiries

## The FTC Investigation Prompts An Inquiry on the Mutual of Omaha

10110. (PENNSYLVANIA) As a subscriber to the "United States Investor," I would appreciate if your service would give me information regarding policies issued, financial status and claim paying record of the Mutual of Omaha.

Your article appearing in the October 30, 1954, issue makes certain of difficulties now being under investigation on the part of the Federal Trade Commission. However, no mention is made as to claim paying record.

I await your prompt response.

Ans.: The Mutual Benefit Health and Accident Association of Omaha is an old-established organization, dating its founding back to 1909 when it was licensed on the mutual assessment plan. Through the years, the company has had very capable management and now enjoys the distinction of being the largest exclusive health and accident insurance underwriter in the world. The president is V. J. Skutt, a recognized leader in the health and accident field.

A board of fourteen directors elected at annual meetings of policyholders controls the operations of the company, three of the directors being its principal officers. Recently elected to the board are: Henry C. Karpf, president of the Live Stock National Bank of Omaha, Oscar M. Taylor, president of the New York State Civil Service Commission, New York City, and the Honorable O. D. Hamlin, Judge of the United States District Court, San Francisco, California.

The assessment liability of members is one additional premium except in those states which require unlimited contingent liability.

The association operates in close cooperation with the United Benefit Life Insurance Company of Omaha, which, like the Mutual Benefit, is making outstanding progress. Last year, for instance, the United Benefit Life enjoyed a 30 per cent increase in insurance in force and now has the distinction of being the nation's youngest, old-line legal reserve stock life insurance company with more than a billion dollars of insurance in force.

The assets reached an all-time high in 1953 of \$132,541,993, an increase of \$14,587,916 over 1952. Surplus increased from \$49,889,537 to \$53,024,711 during the year—an increase of \$3,135,174.

The balance sheet shows the usual strong liquid position. Cash stood at \$13,194,050 and United States Government bonds at \$41,076,127. The sum of these two items is equivalent to about 41 per cent of the assets. The entire bond portfolio is set down at \$91,442,408 and is made up of the highest grade issues.

On the liability side of the statement, there is a reserve for claims in process of \$45,652,840. The reserve for unearned premiums stands at \$23,973,343. Total liabilities amount to \$78,617,282. As already indicated, over and above total liabilities, there is a policyholders' surplus of \$53,024,711 available for the company's needs.

During 1953, net premiums written increased from \$101,194,000 to \$117,981,000. New writings for the year were nearly 30 per cent above any previous year. Only recently, President V. J. Skutt pointed out that total premium income for the first ten months of 1954 is ahead by 17½ per cent over the same period of 1953—a gain of approximately \$16,500,000. He also stated that the company's benefit paid record had now risen to over \$593,000,000. A total of \$62,481,790 in benefits was paid during the first ten months.

The steady and substantial growth of the Mutual of Omaha is evidence enough that its policies are well received. Testimony of the company's willingness to meet just claims promptly is found in the impressive claim payment figures above cited by President Skutt.

It is correct, as you say, that the Mutual of Omaha was listed among the 17 companies cited by the F.T.C. for alleged misrepresentation of certain policies in its advertising literature. We are not too concerned about this because of the lack of any national standards by which such companies can be guided in their advertising.

As we said in our article of last week, it may well be good strategy on the part of the management of the Mutual of Omaha and other companies to enter into a stipulation with the F.T.C. This would have the effect of acknowledging the jurisdiction of that Federal agency over advertising. At least, accident and health companies would then have the benefit of a central authority whose duty would be to set up the standards by which accuracy in advertising can be measured.

We firmly believe that the management of the Mutual of Omaha means to present all the facts with regard to its policies—accurately.

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